



# A TIME FOR CHANGE

Towards Quality & Equality

Report of the House Education Committee

## UNANSWERED CHALLENGES

### SCHOOL FINANCE STUDIES, 1968-1973

The financing of public elementary and secondary education has been under close scrutiny in Texas for many years. Over the past five years, seven major studies and at least six lesser studies have been completed. During the next year several additional major studies will have been completed. At least \$2 million will have been spent on the study of public school education in Texas as a result of these efforts. In brief, the following organizations have completed:

...Governor's Committee on Public School Education (1968-1973)

...Committee on Financing the Foundation School Program (1968-1973)

...State Board of Education (1973)

...Joint Senate Interim Committee on Public School Finance (1973)

...Texas State Teachers Association (1973)

...Texas Research League (1973)

...Texas Advisory Commission on Intergovernmental Relations (1973)

Currently, major studies are underway by the following groups:

...House Education Committee

...Senate Education Committee

...Office of the Governor

...Legislative Property Tax Committee

...Texans for Educational Excellence

...Texas Research League - Texas Advisory Commission

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Over the past five years, studies have also been performed by such groups as the Texas Association of School Boards, the Texas Association of Major School Districts, The Texas Classroom Teachers Association, the Texas Advisory Committee to the U. S. Civil Rights Commission, the League of Women Voters, the Texas Parent-Teachers Association and the Texas Manufacturers Association.

September 20, 1973

The Honorable Price Daniel, Jr.  
Speaker of the House of Representatives  
Austin, Texas

Dear Sir:

Pursuant to your instruction, the House Education Committee has probed deeply and diligently into the problems of public school finance in Texas and has developed recommendations embodied in this report.

Our findings are not pretty: public education in Texas lacks excellence and it lacks equality.

Our recommendations are not timid: financing of public education must undergo a major reformation and it must be done now!

In the neglect of the past, the problem has reached crisis status. We got to the bottom of the problem, and we found the bottom of the barrel of public education in those hundreds of Texas school districts where books, teachers and ideas are financially stripped of a decency once accorded even the little red school house at the forks of the road.

We have seen underachievement on mass scales. We have seen dropout rates of deplorable levels. We have seen large blocs of ethnic and minority students denied what should be their legal right if not their birthright as Texas children. And we have seen the backbone of this state's economic strength--the so-called average Texas home-owning, working family--struggle to the point of collapse under the burden of unfair taxation in their valiant effort to provide for local schools.

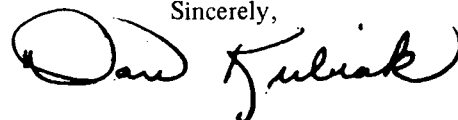
We have heard scholarly discussions and hard-nosed talk about taxes. We have heard the threats of the federal courts. We have heard the cold winds of reality rushing through the mammoth gaps in the school house walls built haphazardly by our antiquated system.

But most of all, we have heard the muffled murmur of hope and pleading from the most precious of all--our children, the little people to whom this big state must look for its future, its tomorrow.

They will not be denied.

Mr. Speaker, our's is the challenge, the choice of change, the chance for Texas-equality and excellence.

Sincerely,

A handwritten signature in dark ink, appearing to read "Dan Kubiak", written in a cursive style.

Dan Kubiak



PRICE DANIEL, JR.  
SPEAKER

State of Texas  
House of Representatives  
Austin, Texas

May 31, 1973

Honorable Dan Kubiak  
Chairman  
Education Committee  
House of Representatives  
Austin, Texas

Dear Dan:

I know that you share my disappointment that a meaningful permanent solution to the public school finance program was not agreed upon during the Regular Session of the Legislature. H. B. 946, as passed by the House on May 16, 1973, took a strong stand for quality education for all of the school children of Texas and offered a compassionate, reasonable and workable response to the inequities so clearly pointed out in the Edgewood case. Unfortunately, on the final night of the Session, we were confronted with a proposal unlike either the House passed version of this measure or Governor Briscoe's alternate plan.

However, because of the strong desire of the vast majority of House members for a meaningful solution to a problem of this magnitude and seriousness; because this problem has been literally studied to death at a cost totaling almost \$2 million since 1965; and in case Governor Briscoe reconsiders his position on the need for a special session to meet this crisis, I am today, pursuant to Rule 1, Section 8, Rules of the House of Representatives, requesting you, as Chairman of the House Education Committee, to activate your Committee, with the first meeting to be held on Monday, June 28, 1973, to prepare, polish and refine H. B. 946 and have it ready for legislative action no later than September 15, 1973.

I am convinced that H. B. 946, which resulted from studies including Governor Connally's Committee of 18 in 1965, the House-Senate Study Committee of 15 created in 1969, and the Senate Interim Study Committee created in 1971, and which has the full support of the State Board of Education, the Texas State Teachers Association, the Congress of Parents and Teachers, the School Boards Association, and numerous other professional teaching and administration organizations, is the proper vehicle to be used and tailored to meet and solve this crisis.

It is my hope that you and your Committee will meet regularly holding public hearings throughout the summer and deliver to me a draft of the legislation and a report on its findings on or before September 15th.

Please let me know if I or any of my staff can be of assistance to you in this important study to solve the public education crisis facing our State.

Sincerely,

Price Daniel, Jr.

PDjr/ar

## HOUSE EDUCATION COMMITTEE



**Daniel J. Kubiak**



**R. B. (Mac) McAlister**



**Herman Adams**



**William D. (Dave) Allred**



**Andrew Z. Baker**



**Ray Barnhart**



**Ronald Bird**



**Roy M. Blake**

**Daniel J. Kubiak**, of Rockdale, Texas, is a noted author, teacher, and State Representative. Received A.A. Degree from Blinn Junior College, B.B.A. in Business, Government and Education from University of Texas at Austin, Masters Degree in Education from Midwestern and has done post graduate work at both U.T. and Georgetown University in Washington, D.C. Formerly a teacher at Cypress-Fairbanks and Vernon High Schools, also received recognition for authoring two books and several noted articles. Presently the very active Chairman of the House Education Committee is also a member of State Affairs Committee and Ethics Sub-committee; was selected one of the Ten Best Legislators of the 63rd Legislature by Texas Monthly Magazine.

**Herman Adams** is the State Representative of District Five and resides in Silsbee. A graduate of the University of Texas, he is the former Distributive Education Coordinator of the Silsbee I.S.D. He has served on the staff of the U.S. Senate Post Office and Civil Service Committee in Washington, D.C. Currently a member of the Reapportionment, Education and Agriculture and Livestock Committees.

**Andrew Z. Baker** of Galveston attended South Texas College of Law after serving during W.W. II. He received a degree in 1953 to become an Attorney, served as Assistant District Attorney of Galveston County and was a member of the Galveston School Board from 1956 until 1965. Mr. Baker, is currently a Freshman Legislator and a member of the Education, Judiciary and Criminal Jurisprudence Committees.

**Ronald Bird**, a State Representative from San Antonio, attended L.S.U. in Baton Rouge, Louisiana, received a B.S. from Washington University in St. Louis, enrolled in St. Mary's University Law School (January, 1971), and needs only 24 hours for a degree. Now serving his first term, he has been active in politics all of his adult life, including a member of Bexar County Democratic Executive Committee. In private life, he is self-employed as a restaurant contractor.

**R. B. (Mac) McAlister** has spent most of his life in the public eye. He attended Texas Tech University, taught for several years and then began his career in radio and eventually television. Having managed and/or owned a succession of radio stations he has lived in New Mexico, where he first became active in local politics at the Chamber of Commerce level; Denver, Colorado where he and partner, Grady Maples, founded station KGMC and also entered into the news media of television; and finally his return to Lubbock where he purchased KLLL and later, along with son, Bill, acquired major interest in KSEL (of which he is now Chairman of the Board). He entered state politics in 1968, has served three successive terms as a State Representative from Lubbock. He has been Vice-Chairman of the House Education Committee, and Chaired the House Interim Vocational Technical Education and Taxable Wealth Base Sub-committees.

**William D. (Dave) Allred**, of Wichita Falls is serving his fourth term in the Texas House of Representatives. He is the son of the late Governor James V. Allred. He has had legislative staff experience both in Washington and Austin before his election to the Texas House. Allred has great expertise in the field of journalism, graduate work at Columbia University, a member of the working press and as a journalism instructor. He is also an ordained minister.

**Ray Barnhart** of Pasadena, State Representative and Vice-President of Barney's, Incorporated, a family-owned construction company, received a B.A. from Marietta College in Ohio, and an M.A. from the University of Houston. He has served several terms on Pasadena City Council, held several offices in Harris County Republican Party, elected to the House in 1972. Currently he is a member of the Education, Insurance and Election Committees, and Chairman of the Interim Committee on Subsidence.

**Roy M. Blake** of Nacogdoches, is presently representing District 4. Having received his college education from both Texas A&M and Stephen F. Austin State University (graduated 1950), he has since been active in civic affairs and local government in Nacogdoches. A former President of the Nacogdoches Chamber of Commerce, and the Jaycees, Mr. Blake was also Chairman of the Board of the First Methodist Church and Mayor Pro-Tem, having served six years on the City Commission.

## HOUSE EDUCATION COMMITTEE



**Jim Clark**



**W. G. (Bill) Coody**



**Lane Denton**



**Wilson Foreman**



**William N. Hall, Jr.**



**Joe Hanna**



**John Hoestenbach**



**Doyce R. Lee**

**Jim Clark**, a former Longshoreman, is presently a State Representative from Pasadena, as well as First Vice-President of J.L.A. No 1273, a position to which he has been re-elected after 10 years of previous service. A graduate of the University of Houston, majoring in History and Education, he holds a permanent High School Teaching Certificate. At present, he is Chairman of the Labor Committee and a member of the Education Committee.

**Lane Denton** of Waco, a teacher and State Representative from the 35th District received a B.S. and M.S. Degree from Baylor followed by post-graduate work at the University of Texas. He taught school in Texas for five years, was Assistant Principal of Waco North Junior High School, Director of Visiting Teachers Service and served in the 62nd and 63rd Legislatures. Was voted Outstanding Veteran Legislator, 1973, by the Texas Intercollegiate Student Association, and is noted in Who's Who in American Politics and Personalities of the South.

**William N. Hall, Jr.** of Laredo is a State Representative and Associate Publisher of the Laredo Citizen. Having attended Laredo Junior College and St. Mary's University in San Antonio, he received a B.A. in Journalism from the University of Texas. Along with political service including Precinct Delegate and Chairman and County Delegate to the State Democratic Convention, he has also served as a teacher at Nixon High School and Assistant Vice-President of the Bank of Commerce in Laredo.

**John Hoestenbach** received a B.A. from the Texas Tech Business School and graduated from the University of Texas School of Law. In 1968, he became Prosecutor in Midland and from 1970 until 1972 was Assistant District Attorney in Odessa. Presently he is a State Representative from District 73 and also in the private practice of law in Odessa.

**W. G. (Bill) Coody**, a Freshman State Representative from Weatherford, attended A&M University. Sam Houston State and T.C.U. to receive B.S. and M.S. Degrees. He is currently working on a doctorate. Presently a member of the Agriculture and Livestock, Education and Reapportionment Committees, also Vice-Chairman of Sub-committee on Higher Education.

**Wilson Foreman** of Austin received a B.B.A. from the University of Texas, after starting his own Concrete Contracting business in 1949. A resident of Travis County for 24 years, has served with the U.S. Air Force during W.W. II, is presently in his third year as District Commissioner of the Texas District. He was a member of the Legislature during the 55th through the 60th Sessions, and has served during the 62nd and 63rd Sessions.

**Joe Hanna**, Representative from Breckenridge, Texas, attended Tarleton College and received a B.B.A. from the University of Texas. He is in the investment business and has been a member of the Breckenridge School Board for thirteen years during which he spent time as President. He is now serving his second term as a State Representative.

**Doyce R. Lee**, Freshman State Representative and Attorney from Naples, Texas, received his B.M. in Education at East Texas State and a J.D. from the University of Texas. Currently a member of the Texas Bar Association, Morris County Bar Association, and North East Trial Lawyers Association.



## HOUSE EDUCATION COMMITTEE



**Frank Madla**



**T. H. McDonald, Sr.**



**Joe Pentony**



**John H. Poerner**



**H. Bryan Poff, Jr.**



**Bill Presnal**



**Senfronia Thompson**

**Frank Madla** of San Antonio, presently a Freshman Legislator, earned a B.A. and M.A. from St. Mary's University. His thesis involved the Latin American and Negro in Politics. He has thirteen years teaching experience and is currently at Lady of the Lake College in San Antonio.

**Joe Pentony** of Houston, received his Ph.D. from the University of Texas. He is a Clinical Psychologist as well as a State Representative. He has been active in Houston public affairs, including Vice-president of the Houston Junior Chamber of Commerce and Director of the Houston Area Crime Council.

**H. Bryan Poff, Jr.** is serving his second term as a State Representative. He received a Bachelor Degree from T.C.U. and graduated from the University of Texas Law School. Mr. Poff is from Amarillo.

**Senfronia Thompson** is serving her first term as a State Representative from the 89th District (in Northeast Houston). She holds a B.S. Degree from Texas Southern University and a Master's Degree in Education from Prairie View A&M, where she was later a Visiting Professor in the Education Department. Prior to her election to the House, she was a teacher in the Houston Independent School District, her last assignment being a teacher of special education at John Marshall Jr. High. She is a member of the Texas State Teachers Association, the Texas Classroom Teachers Association, and the Houston Teachers Association. She was a 1972 recipient of the Distinguished Service Award from the latter organization. As a member of the House, Ms. Thompson is Vice-chairperson of the Black Caucus, and serves on the Labor and Business and Industry Committees, as well as a member of the Education Committee.

**T. H. McDonald, Sr.** of Mesquite, former Coach, High School Principal, and Superintendent of Schools, is now a member of the Texas House of Representatives. He received a B.S. from Sam Houston State in 1925, an M.A. from the University of Texas in 1937 and was elected to the Legislature in 1972. He is a member of Environmental Affairs, Insurance, and Education Committees, and a Sub-committee Chairman of the latter.

**John H. Poerner**, presently serving a third term in the Texas House of Representatives, attended St. Mary's University, served four years in the Air Force during the Korean Conflict, was a practicing land surveyor for 17 years. He now owns John H. Poerner and Associates, supervising various projects throughout South Texas. He has received many distinguished honors throughout his active participation in the development of Texas. He is a member of the Education (by virtue of seniority), Agriculture and Livestock, and Transportation Committees, was also appointed by Governor Briscoe to Southern Regional Education Board and by Speaker Price Daniel, Jr. to the Legislative Property Tax Committee.

**Bill Presnal** of Tabor, a B.S. and M.S. graduate of Texas A&M, now serves as a special assistant with the Texas A&M Research Foundation as well as State Representative. After receiving his degrees, he was a staff member of both Texas A&M and West Texas State College in Canyon. An active member of the House, in his third term, he was instrumental in the passage of several important laws affecting his district and the State of Texas, including the Texas Rural Industrial Development Act.

## COMMITTEE STAFF

**Bradford Clyde Duggan**, of Austin, Texas, is the Chief Clerk of the Committee on Education of the House of Representatives. He received his B. A. degree from the University of Texas, being involved there in campus politics and debate. He has been director of a tristate consortium under Title III, H.E.W., and has served as the director of Federal and State Support at Lee College. He has also served as a consultant for junior college funding.

**Arthur Vance**, of Austin, Texas, serves as Committee Clerk to the House Education Committee. A former member of the Texas House of Representatives, he is well versed in all areas of state government.



**Bradford Clyde Duggan**



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## I. ACTION IN THE 63RD LEGISLATURE

On March 21, 1973, the Supreme Court of the United States reversed the case of **Demetrio P. Rodriguez, et al vs. San Antonio Independent School District, et al.** The Rodriguez case pointed out the glaring inequities of the Texas method of financing public schools. The Supreme Court by a decision of 5 to 4, ruled that it is the responsibility of the state Legislature, not the courts, to solve these gross inequities.

Two weeks following the Supreme Court decision the House Education Committee convened for the first of a series of hearings on the issues of public school finance. Several hundred hours of committee and subcommittee work later, House Bill 946 was approved by the committee and sent to the House of Representatives.

H. B. 946 was the culmination of legislation proposed by the State Board of Education, the Texas State Teachers Association, the **Joint Interim Committee Report of the Senate**, information gathered from numerous other studies over the last 15 years, and the testimony of more than 50 witnesses before the committee. The recommendations in H. B. 946 would have resulted in restructuring the finance of public schools in Texas.

Beginning May 11, with full cooperation of Speaker Price Daniel, Jr., H. B. 946 was debated on the House floor. After three days of debate, H. B. 946 passed virtually intact by a vote of 96 to 47. H. B. 946 then went to the Senate.

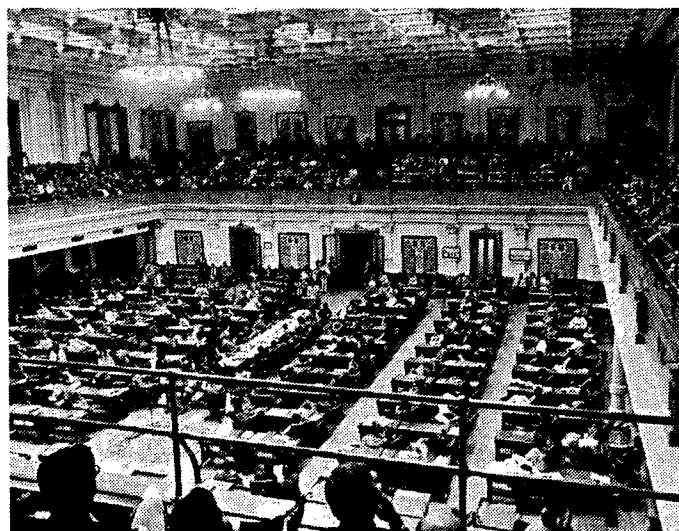
But by this time, the quest for equality and excellence in Texas education had been pushed by some into an almost purely political question, intermeshed with the crush of hundreds of unrelated matters as the Legislature's regular session neared its constitutional end.

At the same time, the Governor introduced his own alternative to reforming the financing of public schools, a one year emergency package that would have distributed \$38.2 million to only 10% of the districts (113 of the 1,124 districts). The Governor's bill, H. B. 1724, further provided for a study to consider the issues involved. The House Education Committee took no action on the Governor's proposal.

Upon receipt of the House version of H. B. 946, the Senate held its initial hearing May 19, but adjourned without taking action. On May 21 the Senate Education Committee reconvened and substituted the Governor's proposal for H. B. 946. On the Senate floor this amended version of H. B. 946 was amended further by the deletion of the one year provision, making the change permanent.

The House refused to accept the Senate version, and a conference committee was appointed. After four meetings, on May 27 the conference committee recommended a plan that would have increased the Foundation Program by an average of \$10 per student to every school district and increased transportation allotments by 50% to all districts operating transportation services. On the last day of the session, May 28, the conference committee report was rejected by the House by a vote of 70 ayes, 70 nays.

The issue of financing public schools remained unresolved. Although the legislative session had ended, Speaker Price Daniel, Jr. formally requested the House Education Committee to "refine, polish and update" the House version of H. B. 946.



## II. A MANDATE FROM THE COURTS

Although it has been seriously questioned for many years, the financing of public education in Texas has remained substantially unchanged since 1949. In 1968 the case of **Demetrio P. Rodriguez et al vs. San Antonio Independent School District, et al** was filed in federal district court in San Antonio. This suit became a landmark case influencing school finance throughout the nation.

The federal district court found the Texas system of public school finance unconstitutional since it:

"discriminates on the basis of wealth by permitting citizens of affluent districts to provide a higher quality of education for their children, while paying lower taxes...and, therefore, denies equal protection of the laws under the Fourteenth Amendment to the United States Constitution..."

This conclusion of the U. S. District Court rested on inequities so apparent between two school districts in Bexar County: in 1968 the Edgewood Independent School District raised only \$21 per student from local property taxes compared to \$307 in the neighboring district of Alamo Heights, despite a much higher effective tax rate in the Edgewood District. The Court stated:

"Nor does State financial assistance serve to equalize these great disparities. Funds provided from the combined local-state system of financing...ranges from \$231 per pupil in Edgewood to \$543 per pupil in Alamo Heights...For poor school districts education financing in Texas is, thus, a tax more, spend less system. The constitutional and statutory framework employed by the State in providing education draws distinction between groups of citizens depending upon the wealth of the district in which they live."

The Court concluded that this distinction, being based upon local school district property tax wealth, was unconstitutional.

The Rodriguez case was appealed to the U. S. Supreme Court. On March 21, 1973, the court overturned the district court decision by a 5 to 4 vote, but the Supreme Court admonished the Legislature and those who elect them to seek a solution. The Court wrote that:

"The need is apparent for reform in tax systems which may well have relied too long and too heavily on the local property tax. But the ultimate solution must come from the lawmakers and from the democratic pressures of those who elect them."

Consequently, the solution of Texas public school finance rests with the Legislature. The Rodriguez case addressed itself to the plight of Bexar County school districts. However, the problems it presented are illustrative of those found throughout the state.



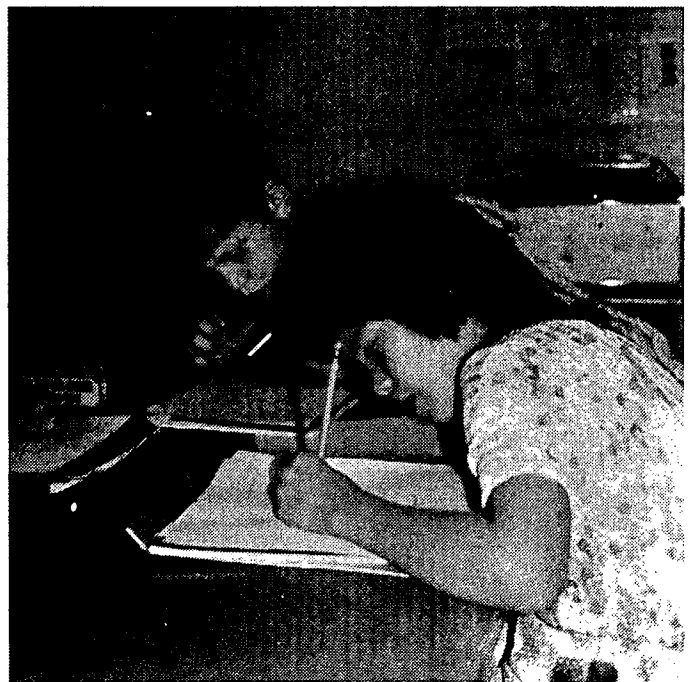
### III. HOW TEXAS PUBLIC EDUCATION OPERATES

The State of Texas is required constitutionally to provide a system of public education in Texas. Texas public education presently serves 2.8 million students in 1125 school districts.

Although the state is constitutionally responsible for providing this service, locally elected school boards serve as the primary authority in operating the local system. Within the restrictions of state law, local school boards have the power to employ administrators and teachers, to set course content and to determine building needs.

In 1949 the Gilmer-Aiken Act created the Foundation School Program to provide a method of dividing state funds for public education. The thrust of the Gilmer-Aiken Act is to provide the greatest assistance to those districts having the least amount of local wealth. In 1972 the Foundation Program totalled about \$1.2 billion. Of this, approximately 80% is paid by the state and 20% by local districts. The actual percentage paid to a local district varies because the state attempts to measure each district's ability to pay.

State funds come primarily from general revenue sources though some special funds are set aside for public education. Local property taxes provide the local share of the Foundation Program. Besides the district's share of the Foundation Program, each local school district is responsible for capital outlays, such as buildings which must be financed from local taxes. Each school district has the option with its financial ability to go beyond the Foundation Program, that is, to employ more teachers than the state requires and to provide other educational services. These programs are also financed from local property taxes and are termed "enrichment." In 1972 enrichment programs totalled \$495 million throughout the state. All districts provide at least modest amounts of enrichment, but some provide substantial amounts. As a result of the different levels of enrichment and the inadequacies of the Foundation Program, some districts like Edgewood, Asherton, Canton, Millsap, and Somerset spend less than \$500 per student while some like Hopkins, Justiceburg, Loving and Alanreed spend more than \$2,000 per student. In one case, Provident City in Wharton County spends more than \$5,500 per student! When enrichment and capital outlays are included, instead of 80/20 state and local share as envisioned by the Gilmer-Aiken bill, the ratio of state and local share is 46 percent state and 46 percent local. The remaining funds come from federal sources.



**THE FOUNDATION SCHOOL PROGRAM PROVIDES**

<u>AVERAGE DAILY ATTENDANCE</u>	<u>CLASSROOM TEACHER UNITS</u>
Under 15	Commissioner's discretion
15-25	1
26-109	2 for 1st 26 ADA, 1 for each additional 21 ADA
110-156	6
157-444	1 for each 24 ADA <sup>a</sup>
445-487	19
488 and over	1 for each 25 ADA <sup>a</sup>

<sup>a</sup>Plus one teacher for major fraction

Special Education personnel according to State Board of Education Plan

---

2 Vocational teachers/high school, plus additional units at State Board of Education Plan

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1 Counselor or supervisor for 1,000 ADA

---

1 Librarian (or nurse, visiting teacher, itinerant teacher or physician) for 500 ADA

1 Principal per school of 500 ADA\*

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1 Superintendent per district

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\*A teacher may draw extra pay as a part-time principal in a school with 68 or more ADA.

#### IV. THE CRISIS IN TEXAS

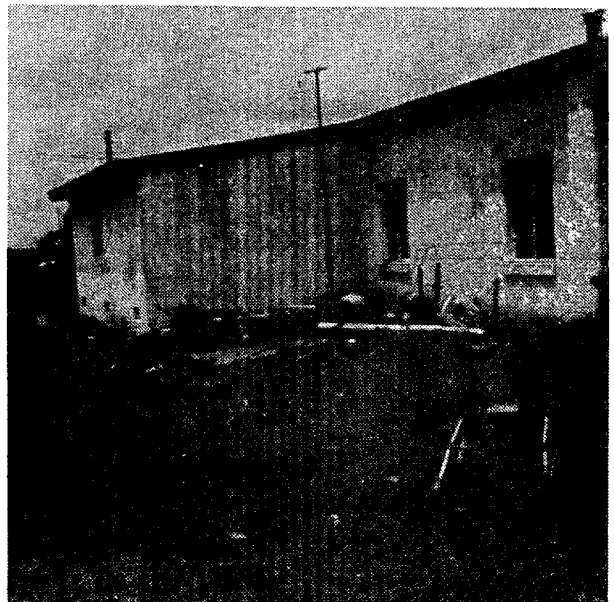
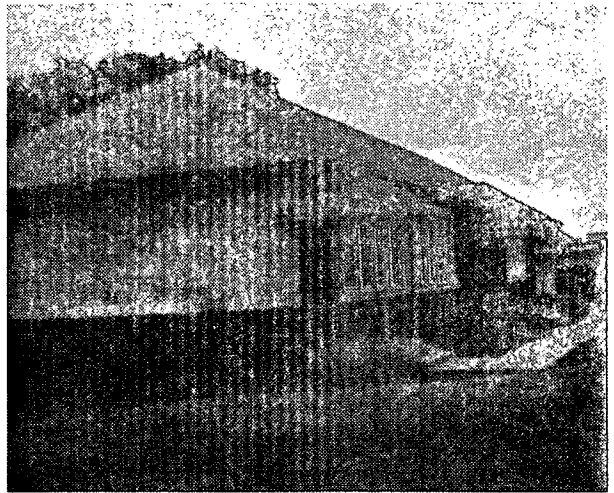
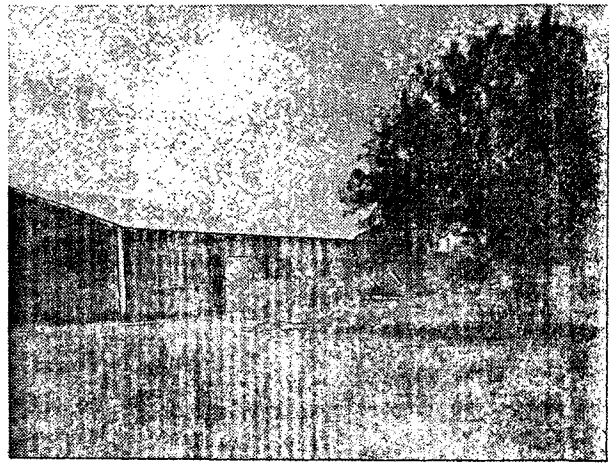
Can the prevailing situation in Texas public school finance be described as a "crisis..? With regard to funds expended, Texas ranks low compared to the other states. According to the National Education Association's 1971-1972 figures, Texas ranks 41st in per pupil expenditures for public education. While educational expenses during the last 10 years have increased throughout the nation by 122 percent, Texas expenditures have risen only 96%. The total per pupil cost for operating Texas schools daily is only \$3.90 per child.

One criterion by which to measure progress and development of the Texas educational system is an evaluation of the academic achievement of students. Texas can take little pride in what the statistics report. According to the Report to the U. S. Commission on Civil Rights, about one-half of all Black students, one-third of all Mexican-Americans and 15 percent of all Anglos drop out of school. Of those that graduate, 50 percent of the Blacks, 45 percent of the Mexican Americans and 15 percent of the Anglos are suffering from severe reading retardation: they read two years or more below their grade level.

Asherton Independent School District in Dimmitt County operates part of its school in a condemned building. It was forced to terminate all high school science courses when the science lab ceiling collapsed. Simply no money was available for adequate up-keep. Hundreds of bats nest in the walls and fly down the halls for lack of funds to exterminate.

Edgewood Independent School District in San Antonio has stopped extracurricular activities in the evenings and on weekends because they cannot afford the cost of utilities. Salaries for teachers and administrators were drastically cut, even though they were already among the lowest in the state.

Some districts have cut out janitors and are hoping teachers will keep the buildings clean. Some school districts cannot replace broken windows and use cardboard as replacements. Many school districts are cutting back extracurricular activities, special summer programs and programs directed at those students with reading and math difficulties. Some districts are assigning more students to already crowded classrooms rather than hiring needed teachers. Almost all districts are having to raise taxes in order to keep their doors open. Mounting inflation and future needs are but omens that the worst has not been felt.



## V. SUMMARY OF INTERIM COMMITTEE ACTIVITIES

When the 63rd Legislature ended, the question of Texas public school finance was unresolved. The House Education Committee worked diligently to provide a solution for consideration by the Legislature, but no definitive action was taken by the 63rd.

Because of the need to provide Texas with a plan as soon as possible, Speaker Price Daniel, Jr. officially activated the House Education Committee on May 31, 1973, with definite instructions to "refine, polish and update" the public school finance proposals of the last session and to report to him their findings.

On June 18 and 19, the full Education Committee convened in Austin for two days of hearings. At this meeting testimony was received from more than 30 superintendents and other interested parties. At the end of that hearing, the 23 Committee members divided into three subcommittees to explore all relevant areas of a comprehensive finance plan.

The Evaluation of the Current Program Subcommittee, chaired by Representative Wilson Foreman of Austin, was responsible for gathering relevant data on the present public school program in Texas. The subcommittee held four hearings in Austin, primarily with research personnel, to analyze what information was available, how it was to be gathered and in what form it would be most understandable.

The Recommended Foundation Program Subcommittee, chaired by Representative T. H. McDonald of Mesquite, was responsible for recommendations on how funds should be distributed to the school districts, what personnel should be included, what the ratio of students to teachers should be, and what level of support should be provided to insure the highest level of quality for the funds expended.

The Taxable Wealth Evaluation Subcommittee, chaired by Representative R. B. McAlister of Lubbock, was directed to revise the economic index formula (the method by which the amount of funds to be raised by a district is calculated). In principle, districts with greater taxable wealth should pay more than districts with little taxable wealth. During three Austin hearings, extensive consideration was given to the present economic formulas, Texas tax laws, present assessment methods and state statutes.

In September, the full House Education Committee met

in Galveston for consideration of subcommittee recommendations. Galveston Independent School District, a model school district in the educational services it provides, maintains a level of support as would have been set out for all schools in H. B. 946. But in maintaining a level of \$1,000 support per pupil, Galveston is taxing at near capacity as limited by the Texas Statutes and is faced with cutting back programs unless other support is found.

The subcommittee findings are included in the next three chapters with a consolidated list of recommendations in the Appendix.

On September 18, 1973, the recommendations and findings of the full House Education Committee were presented to the Speaker, Price Daniel, Jr. The Committee also adopted a resolution (see Chapter IX) calling for a special session to solve the problems of public school finance.





# **VI. REPORT OF THE EVALUATION OF THE CURRENT PROGRAM SUBCOMMITTEE**

The Evaluation of the Current Program Subcommittee was chaired by Representative Wilson Foreman and included Representatives Dave Allred of Wichita Falls, John H. Poerner of Hondo and Joseph F. Pentony of Houston.

Responsible for gathering data on the present public school finance program, the subcommittee sought information on the following topics: (1) School District Organization, (2) Student Data, (3) Professional Personnel, (4) Revenues for School Districts, (5) School District Expenditures, (6) Analysis of Enrichment and (7) Salary Levels.

Information on the variances of the cost of public school education is included in the Appendix. The subcommittee's responsibility was to provide relevant data and was not concerned with proposing recommendations.

In 1971-1972 Texas public schools enrolled 2.8 million students in 1157 districts, employed a professional staff of 138,000 from state and local funds, and raised revenues in excess of \$2 billion.

## **(1) School Organization.**

Of the 1,157 districts in the state, 46 districts with more than 10,000 ADA, or less than four percent of the districts, enrolled over 50 percent of the students, while 565 districts with less than 500 students, or almost 50 percent of the districts, enrolled less than 5 percent of the students. These relationships are drawn from the table following.

**TABLE I      SCHOOL DISTRICT ORGANIZATION, 1971-72**

GROUP SIZE (ADA)	DISTRICTS		STUDENTS (ADA)	
	NUMBER	PERCENT	NUMBER	PERCENT
50,000 or more	6	.5%	584,049	23.4%
10,000-49,999	40	3.4	762,907	30.5
5,000- 9,999	38	3.3	255,893	10.2
1,000- 4,999	288	24.9	618,765	24.8
500- 999	220	19.1	156,795	6.3
Less Than 500	<u>565</u>	<u>48.8</u>	<u>121,285</u>	<u>4.8</u>
<b>TOTAL</b>	<u>1,157</u>	<u>100.0%</u>	<u>2,499,694</u>	<u>100.0%</u>

## (2) Student Data.

Three different criteria are commonly used in determining the basis of allocating funds to school districts. First, there is enrollment or the number of students registering for school for the first time in a school year. Second, there are students in average daily membership (ADM) or the average number of students enrolled each day of the school year. Third, there are students in average daily attendance (ADA) or the average number of students attending school each day of the school year. As the table below indicates, ADM is approximately 95 percent of enrollment, while ADA is 88.6 percent of enrollment.

**TABLE II STUDENT DATA, 1971-72**

ENROLLMENT	2,822,446
AVERAGE DAILY MEMBERSHIP (ADM)	2,681,292
AVERAGE DAILY ATTENDANCE (ADA)	2,499,694
AVERAGE DAILY MEMBERSHIP/ENROLLMENT	95.0%
AVERAGE DAILY ATTENDANCE/ENROLLMENT	88.6%
AVERAGE DAILY ATTENDANCE/ AVERAGE DAILY MEMBERSHIP	93.2%

## (3) Professional Personnel.

In 1971-1972 Texas public schools employed over 146,000 professional personnel. Of these, 125,126 were funded by the Foundation School Program, 12,799 were financed from local funds, and 8,222 were employed from categorical federal funds. The ratio for regular teachers (employed from state and local funds) was one teacher for each 23 students (ADA) while the overall ratio for personnel employed from state and local funds was one staff member for each 18 ADA. Data and ratios for other classes of personnel employed from state and local funds are presented in the table III (See next page).

## (4) Revenues for School District Operation.

Total revenue for school district operation in 1971-1972 was just over \$2 billion or \$820 per student (ADA). Of this, total local revenue sources contributed 45.7 percent and state sources contributed the same amount. The remaining 8.6 percent was contributed by the Federal Government. The two largest sources of funds were the local maintenance tax (33.9%) and the state share of the Foundation School Program (45.2%). Although the influence of federal funds was relatively

slight, many school districts, especially those with low tax bases, relied much more heavily upon this source of revenue. The detailed data concerning revenues for school district operation is shown on following page. (See Table IV)

## (5) School District Expenditures.

Total expenditures for school district operation in 1971-1972 were just over \$2.1 billion or \$853 per student (ADA). Of this amount 82 percent or \$701 per student was for current operation, most of which was for direct instructional activities. Expenditures exceeded revenues by almost \$100 million per school district operation brought about by school districts borrowing funds by sale of school bonds for building construction. The analysis of school district expenditures is shown in Table V.

## (6) Analysis of Enrichment.

In 1971-1972 Texas public schools spent \$495 million for enrichment of the Foundation School Program. From the point of view of local school boards, however, most of these expenditures represented necessary costs above the Foundation School Program -- costs not properly funded by the Foundation Program. Overall, enrichment averaged \$198 per student (ADA) of which over half was for expenditures of the type financed by the maintenance and operation allotment of the Foundation School Program. Salaries above the state minimum level accounted for \$54 per student while staffing above Foundation Program levels represented \$35 per student. A complete analysis of enrichment expenditures is presented in Table VI.

## (7) Average Salary Level.

Texas school districts paid an average of \$958 more than the minimum salary schedule in 1971-1972 to each professional person employed. This enrichment amounted to 12.3 percent above the minimum level. Enrichment for personnel with masters degrees or higher was substantially more than enrichment for personnel with lesser degrees. There was very little enrichment of salary levels for teacher aides by local school districts. The detail of this information by degree status is shown in Table VII.

**TABLE III PROFESSIONAL PERSONNEL, Employed from state and local funds, 1971-72**

TYPE PERSONNEL	FOUNDATION PROGRAM	SOURCE OF FUNDING		ADA/STAFF RATIO
		LOCAL FUNDS	TOTAL	
Teachers (Regular)	99,745	7,956	107,701	23/1
Special Service	4,439	359	4,798	521/1
Supervisors/Counselors	1,784	226	2,010	1243/1
Principals*	3,063	1,558	4,621	540/1
Administrators**	984	1,646	2,630	950/1
Special Education	8,467	238	8,705	287/1
Vocational Education	6,644	227	6,871	364/1
Other	<u>-0-</u>	<u>589</u>	<u>589</u>	<u>4244/1</u>
Total Professional	<u>125,126</u>	<u>12,799</u>	<u>137,925*</u>	<u>18/1</u>

\* Does not include 8,212 personnel paid with categorical funds

\*\* Partially estimated

**TABLE IV REVENUES FOR SCHOOL DISTRICTS\*, 1971-72, in thousands**

SOURCE OF FUNDING	AMOUNT		PERCENT OF TOTAL	
	DETAIL	TOTAL	DETAIL	TOTAL
<b>LOCAL</b>		\$ 936,689		45.7%
Maintenance Tax	\$ 695,622		33.9%	
Debt Service Tax	187,665		9.2%	
Other	53,402		2.6%	
<b>STATE</b>		\$ 936,962		45.7%
Foundation Funds	\$ 927,163		45.2%	
Other	9,799		4.8%	
<b>FEDERAL</b>		\$ 176,550		8.6%
Funds thru State	\$ 104,842		5.1%	
Direct Funds	71,708		3.5%	
<b>GRAND TOTAL</b>		\$ 2,050,201		100.0%

Revenue per Student - \$820 (ADA)

\*Includes only those funds expended at the district level

**TABLE V SCHOOL DISTRICT EXPENDITURES\*, 1971 - 72**

<b>TYPE</b>	<b>Amounts (in thousands)</b>	<b>Percent of Total</b>	<b>Amount per ADA</b>
Instruction	\$1,397,840	65.4%	\$ 559
Administration	84,483	4.0%	34
Transportation	33,493	1.6%	13
Plant Operation	185,591	8.7%	74
Other	<u>50,622</u>	<u>2.4%</u>	<u>21</u>
Total Current Operating	\$1,752,029	82.1%	\$ 701
Capital Outlay	287,218	13.5%	\$ 115
Interest	<u>94,077</u>	<u>4.4%</u>	<u>38</u>
<b>GRAND TOTAL</b>	<b><u>\$2,133,324</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 853</u></b>

\* Includes only those expenditures at the school district levels

**TABLE VI ANALYSIS OF ENRICHMENT, 1971 - 72**

	<b>AMOUNT (in thousands)</b>	<b>AMOUNT PER ADA</b>
<b>TOTAL CURRENT EXPENDITURES</b>	\$1,752,029	\$ 701
Less: Federal Categorical Expenditures	<u>- 109,514</u>	<u>- 44</u>
<b>CURRENT EXPENDITURES (State &amp; Local)</b>	\$1,642,515	\$ 657
Less: Foundation School Program Cost	<u>-1,147,412</u>	<u>-459</u>
<b>ENRICHMENT -- TOTAL</b>	<b><u>\$ 495,103</u></b>	<b><u>\$ 198</u></b>
• Salary	136,220	54
• Extra Staff	86,645	35
• Transportation	6,090	2
• Other (Maintenance & Operation)	266,148	106

TABLE VII SALARY LEVEL, 1971 - 1972

<u>TYPE OF PROFESSIONAL</u>	<u>SALARY SCHEDULE</u>	<u>ACTUAL SALARY</u>	<u>ENRICHMENT</u>	
			<u>AMOUNT</u>	<u>PERCENT</u>
No Degree	\$ 5,044	\$ 5,533	\$ 489	9.7
Bachelors Degree	7,120	7,922	802	11.3
Masters Degree or Higher	9,309	10,597	1,288	13.8
All Professional Personnel	7,816	8,774	958	12.3
Aides	3,107	3,371	264	8.5

## VII. REPORT OF THE TAXABLE WEALTH BASE EVALUATION SUBCOMMITTEE

The Taxable Wealth Base Evaluation Subcommittee was chaired by Representative R. B. McAlister and included Representatives Jim Clark of Pasadena, Bill Presnal of Bryan, Ray A. Barnhart of Pasadena, Roy M. Blake of Nacogdoches, Andrew Z. Baker of Galveston, Lane Denton of Waco, Ronald C. Bird of San Antonio and Joe C. Hanna of Breckenridge.

The subcommittee was concerned with developing a method of measuring the wealth of school districts and developing a formula to measure local support required. The underlying premise is that a rich district (one high in taxable property) should pay a higher share of its education cost than a poor district. This is one of the primary elements of the Rodriguez case.

During the subcommittee hearings, intensive work and study were undertaken to analyze the present economic formula, the present tax assessment practices, the concept of a centralized tax authority in each county, and the assessing of intangible property, bank stocks, agricultural land, automobiles, etc. Serious consideration was given to other states' proposals and assessment practices.

### Computation of the Economic Index.

The present foundation program which controls distribution of education funds and determines the minimum share to be raised locally was developed by the Gilmer-Aiken Committee in 1949. Twenty-four years later the plan is plagued with exemptions, inadequacies and inconsistencies. Local funds are determined by calculation of a Local Fund Assignment. The Local Fund Assignment is figured by determining 20 percent of the previous year's total foundation program. Next, this is computed with the County Economic Index (chart). It is determined by multiplying the county assessed value by 20, adding the scholastic population of the county multiplied by 8 and adding the income of the county multiplied by 72. The "income of the county" is determined by adding 1) value added by manufacture, 2) value of minerals produced, 3) value of agricultural products, 4) payrolls for retail establishments, 5) payrolls for wholesale establishments and 6) payrolls for service establishments. The economic index of the county is then determined by dividing the weighed total of the factors for the county by the weighted total of the factors for the state.

The district's share is then determined by relating the property in the district to the property in the county, using the following formula:

$$\begin{array}{rcl} \text{County Local X} & \text{Assessed Value of} & \\ \text{Fund Assignment} & \text{Property in District} & = \text{Local Fund} \\ & \text{Assessed Value of} & \text{Assignment} \\ & \text{Property in County} & \end{array}$$

The original concept of the Minimum Foundation Program was to provide an equal distribution of state funds as determined by the wealth of a district.

The addition of special credits into the index coupled with the complex method of determining local wealth provide many of the inequities in the present formula. For a more thorough explanation of the economic index and special credits see "The Financing of the Foundation School Program in Texas" in the Appendix.

### Current Tax Assessment Practices.

One of the primary factors involved in computing the economic index, which determines the state and local share of the Foundation Program, is the appraisal of local property.

State laws prescribe definite rules for assessing and administering local property taxes, but they are almost universally ignored.

In a study for the Governor's Committee on Public School Education in 1968, Mr. Charles R. Bartlett, MAI, reported that a major cause of many inequities and wide variances in ratios by class or property within a district is the lack of proper assessment tools to perform the work required. Many districts checked did not have adequate maps and plats, which are vital to locate and value real estate.

There is also a lack of building cost schedules needed to appraise improvement to land. Only a few tax offices have appraisal record cards for dwellings and buildings and essential cost schedules for valuing certain classes of personal property such as automobiles, mobile homes, pipelines and power transmission lines. Most districts use city building permits to discover additions of real property and improvements. Personal investigation is relied upon to discover improvements outside the city.

Assessment practices vary greatly. Farm and ranch land is assessed in some areas at 50 cents to \$1 an acre. In other areas assessment of similar land may range from \$3 to \$50 an acre regardless of market value. Some assessments are so low as to be tantamount to exemption.

"On the other hand there are areas of the state in which assessments of farm and ranch land are so high as to be tantamount to confiscation. Assessments based on current prices paid by land speculators for farm and ranch land have caused taxes to increase to the level of requiring all or most of the income from the property just to pay the ad valorem taxes."

There are nearly as many different methods used to assess banks as there are school districts. Ratios range from 2.26 per cent to 80.86 percent assessment of banks, and yet the state law is quite clear. Further, since the banks are required to publish an annual statement, the data necessary for proper assessment is easily available. Business personal property, except public utilities, falls in the same class as banks. In some areas it is not assessed at all; others give it preferential treatment.

The study for the Governor's Committee on Public School Education in 1968 revealed these striking examples of inequitable policies:

A few districts simply use the values submitted by property owners and do not have a Board of Equalization to approve the roll or equalize assessments. One assessor said the school board could not get anyone to serve on the Board of Equalization.

In one district the current tax renditions had been destroyed after the values had been entered on the roll because the assessor said he did not have a file cabinet in which to put them--or the time to file them.

Some districts assess automobiles, some assess only those owned by business concerns, and some do not assess automobiles at all. In at least one instance automobiles are placed on the tax roll, but the assessor makes no effort to collect the taxes on them.

In at least one district, the assessing procedure was established by the W.P.A. in 1933 and no improvements in operation have been made since.

In one district, every brick house is assessed at \$1,000 and every frame house at \$500, regardless of size or age. A large number of assessors add new construction to their rolls at a fairly high percent of actual cost, but never reappraise older buildings. The new property owners may be paying on 75 percent of value, while the older property is assessed at five or ten percent of its worth.

In one district, every Negro resident is apparently assessed a flat \$300 for personal property ownership.

Several of the assessors and school superintendents were emphatic in stating

that they assessed local property at much less than industry and would continue to do so because industry is better able to pay than local property owners. One part-time assessor (who is a bank president by trade) said it was not necessary to appraise property, but that local property owners are assessed at about 25 percent and non-local at about 40 percent. The assessor is also a large land owner.

The total value of property subject to taxation by school districts in Texas in 1966 was approximately \$111 billion, compared to a total assessed value of about \$34 billion. On the average, Texas school districts were assessing property at less than one-third of its value.

Poor assessment practices lead to inequitable tax burdens for individual taxpayers. When people consider a tax unfair, the task of winning their support for the activities financed by that tax is made more difficult.

#### **Centralized Taxing Authority and Assessment of Intangible Property.**

In developing an index to measure local wealth, the subcommittee--realizing the overlap of jurisdiction with the Committee on Revenue and Taxation of the House of Representatives and the effect the upcoming constitutional convention could have in these areas--refrained from proposing to alter the present organizational operation of tax assessment.

#### **Recommendations.**

After considering the difficulty, confusion and inequities of the present economic index, the Taxable Wealth Base Evaluation Subcommittee determined that **the ability of each school district to support education should be measured in terms of true market value of property** rather than in terms of "economic factors" which are not directly related to a district's taxing authority. It was also the belief of the subcommittee that the state should not rely solely upon local assessors to report values but rather, the state should determine values independently.

From the subcommittee's deliberations were developed the following five recommendations approved by the full Education Committee:

Recommendation 1. The definition of "taxable property" for the purpose of measuring local ability should be "all property subject to local ad valorem taxation under the Constitution and statutes of the State of Texas."

Rather than defining categories of property which comprise the "taxable resources" of a district, it is better to



discover the value of whatever property is on the tax rolls of each district. The purpose of a "taxable resources index" was to set out a uniformly applicable definition of property as a guide to local assessors in reporting district property values. By discovering those values independent of local assessors, there is no need for an index. Uniformity of results is achieved through centralized discovery. The distinction between what is "taxable property" for taxing purposes should be kept clearly in mind. These recommendations do not determine what items of property should actually be taxed, but rather which property should be included in a measure of local fiscal ability.

Recommendation 2. For the 1973-1974 school year, the best data currently available on market values should be used for measuring district wealth.

The best data at present is probably the School Finance Study Group figures of 1971-1972. The alternative is the Legislative Property Tax Committee questionnaire figures. The figures should be presumed accurate, unless challenged by a school district. Upon challenge, the Comptroller's office would investigate to determine accuracy. This recommendation would allow districts to be funded under the new formula by the second half of the 1973-1974 school year.

Recommendation 3. For the 1974-1975 school year and all subsequent years, figures obtained by the Comptroller through annual assessment-ratio studies should be used.

The Comptroller's office is the most logical and appropriate authority to conduct such studies. It would necessarily be geared up to carry out this new function through provision of adequate funding and enabling legislation. See "Assessment Ratio Study Act" draft for details. Estimated first year cost of such a study is \$4 million. Once basic data is obtained, recurrent costs would be less, averaging about \$2 million annually. This recommendation is premised on the belief that, given a special session this year, it is better to proceed directly from current data in the first year to the data obtained by the Comptroller in the second and subsequent years. The Comptroller, however, would be empowered to use the "best data available" in any given year and thus could make use of figures from the Legislative Property Tax Committee study proposed for January-November, 1974.

Recommendation 4. In determining the market value of agricultural lands, the **current productive capability** of the land shall be the primary consideration, rather than any future non-agricultural uses. The determination shall be in accordance with standard appraisal practices.

Recommendation 5. The Legislative Property Tax Committee should be directed to prepare an appraisal manual and comprehensive recommendations on the reform of the property tax law and administrative system to be presented to the Legislature in 1975. The purposes of such recommendations shall be to achieve uniformity of assessment procedures and taxpayers equity and shall be in accordance with appropriate constitutional provisions as adopted by the constitutional convention in 1974.

Recommendation 6. The adoption of a documentary stamp to verify real estate transactions for use in assessment-ratio studies is recommended to the appropriate legislative committees. This stamp would provide the information necessary for the Comptroller to continually update the market value of property.

It would be inappropriate for the subcommittee to consider changes in the property tax law prior to the constitutional convention and premature to attempt to reform the administration of that law until the legal foundation has been reshaped.

The Taxable Wealth Base Evaluation Subcommittee did not develop a percentage ratio of state and local support which under the present Foundation Program is 80 percent state and 20 percent local. The subcommittee also did not determine the level of local support required under the proposed basic program or local leeway phase one and two. The Committee decided not to set a level of local support, leaving that to be determined at the time the Legislature considers the issue of school finance. This provides the flexibility needed by the Legislature to adjust the level of local support according to the most accurate market value data available.

## VIII. REPORT OF THE RECOMMENDED FOUNDATION PROGRAM SUBCOMMITTEE

The Recommended Foundation Program Subcommittee, chaired by Representative T. H. McDonald, included Representatives Frank Madla of San Antonio, Doyce R. Lee of Naples, Herman Adams, Jr. of Silsbee, John Hoestenbach of Odessa, Bryan Poff, Jr. of Amarillo, Senfronia Thompson of Houston, W. G. Coody of Weatherford and William Hall, Jr. of Laredo.

The subcommittee was responsible for developing recommendations for disbursement of funds, considering such questions as the proper teacher-student ratio, what supportive staff should be provided, the level of operation and maintenance costs necessary to maintain a proper educational atmosphere, the type and amount of transportation funds that should be provided, whether local leeway should be included and the level of compensatory education. The subcommittee was concerned with providing **quality** education while maintaining fiscal responsibility. Therefore, the subcommittee expanded its operations to establish methods of accountability, assessment and follow up in order to determine how funds are expended and the resulting quality of education. Consideration was also given to the length of the school year and elimination of tax havens.

The recommendations of the subcommittee, approved by the full Committee, are the ideal recommendations necessary for development of a "basic" education system. It should be kept in mind that the Committee believes that these recommendations **should be phased-in over an unspecified period of time in order to allow transition and to insure availability of funds.**

For many years in Texas, the level of education received by the individual student has varied from virtually no education to among the best in the country. The program of the House Education Committee is intended to raise the level of education provided all children to an acceptable level, and to provide the opportunities for all communities to seek true quality education, if desired, without forcing any community to reduce the present level of education.

The Committee, reacting to recommendations brought forward by the subcommittee on the Recommended Foundation School Program, recommends that the Foundation School Program of Texas be brought into line with the modern needs of education in Texas. The recommendations of this subcommittee may be divided into seven sections: staffing the program, operating costs, transportation, compensatory education, local leeway provisions, assessment, and special recommendations.

**Staffing.** It is impossible to create an ideal teaching environment when most of the teacher's time is spent as a patrolman. Nor does the present method of allocating teachers consider that the majority of learning takes place before a child reaches the age of nine. A lower student-teacher ratio must be implemented in the primary grades if Texas is to have a quality educational program.

### **Recommendations.**

Recommendation 1. The teacher-pupil ratio be allocated as follows and that any switch-over or overlap between groups be prohibited and that teachers be limited to full-time teaching teachers only:

Kindergarten -- 15/1  
First, second, third grades -- 20/1  
Fourth, fifth, sixth grades -- 23/1  
Seventh through twelfth grades -- 24/1

The education of two and one-half million children and the operation of the largest state business require a substantial number of supportive and administrative personnel if the schools are to operate at their maximum capacity. All supportive and administrative personnel, however, should be included only if there is a justifiable need. Most of the school districts already employ the personnel from local funds set out by the recommendations. Now Texas is taking the initiative, and providing these needed personnel for those districts that do not have the taxing ability to employ these personnel and those districts that are straining local taxpayers to provide for the personnel.

Recommendation 2. Special service personnel consisting of nurses, physicians, visiting teachers, itinerant teachers, librarians, supervisors and counselors shall be provided at a ratio of 1 for every 14 CTU's. This shall not restrict the local district from employing additional special service personnel from local funds.

Recommendation 3. Assistant principals shall be provided at a ratio of 1 for every 45 CTU's with no consideration for fractions. This shall not restrict the local district from employing additional assistant principals from local funds.

Recommendation 4. Principals shall be provided at a ratio of 1 for the first 14 CTU's; thereafter, 1 for every additional 24 CTU's provided that not more than 1 principal is provided for each campus. This shall not restrict the local district from employing additional principals from local funds.

Recommendation 5. Educational secretaries shall be provided at a ratio of 1 educational secretary for the first 10 CTU's with 1 educational secretary for each 30 additional CTU's with fractions not considered. This shall not restrict the local district from employing additional educational secretaries from local funds.

Recommendation 6. Teachers aides shall be included at a ratio of 1 aide per 18 CTU's, no fractions. This shall not restrict the local district from employing additional teachers' aides from local funds.

Recommendation 7. Instructional administrative officers shall be provided by the following formula:

750-1249 ADM	One Unit
1250-1749 ADM	Two Units
1750-2499 ADM	Three Units
2500-50,000 ADM	<sup>1</sup> Four Units, plus one additional unit for each 3,000 ADM above 2,500 with no credit for fractions.
Over 50,000 ADM	Twenty units, plus one additional unit for each 6,000 ADM above 50,000 with no credit for fractions.

This shall not restrict the local district from employing additional instructional administrative officers from local funds. TEA is required to develop certification standards for each position.

Recommendation 8. Instructors for exceptional children shall be provided at the present levels as in H. B. 946.

**Operation and Maintenance.** The Foundation School Program allowance for operational costs currently provides less than 25 percent of the actual costs of operation. Districts are currently allocated \$660 per allotted teacher unit (regular, vocational and special) for expenses other than the payment of professional salaries and transportation costs. An abbreviated list of the components of the school budget which fall into this classification includes: salaries of non-professional personnel, library books, utilities, plant maintenance, fixed charges including insurance costs, instructional materials other than textbooks, consumable supplies such as duplicating paper, janitorial supplies such as brooms, mops and floor wax, laboratory supplies and equipment and audio-visual equipment and supplies.

In 1970-1971, the estimated total cost of these items from state and local funds was \$314 million, compared to \$72 million allotted under the Foundation School Program. On a per student basis, this means the state program supplies an average of \$30 compared to \$120 actually expended.

The failure of the Foundation School Program to approach the actual cost of operation in most school districts rests on two considerations. First, increases in the formula allotment since 1949 have failed to keep pace with the rising cost of providing adequate operational support for the school district. Second, the operating cost has increased dramatically as a result of factors outside the purview of the local school boards. Rising insurance and utility rates, placement of school employees under the minimum wage law in 1966, the cost of school operation without local school board participation, and kindergarten programs have contributed to the increase in operating costs.

Recommendation 9. Operation and maintenance costs be increased to \$85 per ADM.

**Transportation.** Transportation costs have increased drastically over the last several years. The price of school buses has risen by over 10 percent since 1969. New safety regulations will require the purchase of specialized equipment for school buses. In 1974, children will not be allowed to stand on school buses and the purchase of new buses and the hiring of new drivers to provide for the overflow will be required. New federal government regulations now require periodic training of bus drivers.

Recommendation 10. Increase transportation allocation by 50 percent.

#### **Compensatory Education.**

Numerous studies of education, including the report of the Governor's Committee on Public Education have documented the need for additional state support for compensatory education for those children with educational handicaps.

Recommendation 11. An allocation of \$75 per educationally handicapped child shall be made to each district as part of its Foundation Program allotment for those children not receiving special services of a compensatory nature from other state funds.

Present federal funds for compensatory education are supplemented by certain state funds for students with language and learning disabilities. However, many students do come to school with other handicaps created by their environment. The proposed program will remedy this inequity in the present program by making funds available to supplement federal funds for students from educationally deprived environments.

**Financing Enrichment of the Foundation School Program.** A key element in the financing of public school education in Texas is the financing of desired programs in addition to those provided by the Foundation School Program. As the report of the State Board of Education stated:

"This capability to enhance and enrich local programs must be not only preserved, but expanded. Local control of the cost of education can be maintained only if adequate opportunities for enrichment are provided."

Recommendation 12. An optional local leeway support from both state and local funds should be included in the revised public school financing program. The local leeway plan should consist of a total amount of \$300 per student in a two step program. The first step shall be \$100 per student and a second step of \$200.

Adoption of this program will address the heart of the lower court Rodriguez decision by substantially equalizing the ability of districts to finance programs above the Foundation School Program. This phase of the program would be completely optional by the local district, and state assistance would be limited to those districts willing to make the additional effort necessary to raise enrichment funds. Districts with substantial local resources would not be eligible to receive additional state funds under this plan.

Unless a limit to spending under the Foundation School Program is enacted, full implementation of this program will not provide the equalization of educational opportunity which the Committee desires for the future of education in Texas.

Recommendation 13. Revenues from the local property tax for current operation should be limited to the equivalent of \$.75 per \$100 tax rate on the market value of taxable property of the district.

This will provide, at full implementation of the proposed program, a limit on local district enrichment of the Foundation School Program, for most local districts, thus guaranteeing relief for many local taxpayers. The financing of building facilities and payment of interest on bonded indebtedness would remain a local responsibility and would be unaffected by the proposed limitation on local funds.

**Assessment.** In order to protect the public's investment and ensure the most efficient use of state educational funds and to provide a method of adequate review by the Legislature and Governor, a system of evaluation and follow-up should be undertaken by the Texas Education Agency. A program of early evaluation and remedial action should help reduce dropouts and make sure that educational achievements more nearly match reasonable graduation standards.

Recommendation 14. TEA be provided with all necessary funds per student per year for assessment, accreditation, and follow-up and the method of measurement must be adjusted to the cultural needs of each region of the state.

**Special Recommendation.** As a basis for all of the Foundation Program allocations, the Committee recommends that changes be made in the definitions of students, the school year, and the minimum district.

Recommendation 15. Students in average daily membership (ADM) should be used in the allocation of state funds for teachers, central staff, operating costs and local leeway funds.

Recommendation 16. The school year should be based on 171 days of actual classroom instruction and six additional days of inservice training. This change shall not effect the present salary levels of instructional personnel.

Recommendation 17. School districts not holding classes every year shall be declared dormant and annexed to an adjoining district under current provisions of law.

**Change to ADM.** Changing the basis of allocation from students in average daily attendance (ADA) to students in average daily membership (ADM) will make allocations under the Foundation Program more in accord with the actual planning basis of local school boards. In addition, the penalties now incurred by districts for low attendance rates caused by socio-economic conditions will be eliminated.

**Change in the School Year.** Reduction of the school year will ease implementation of the quarter system and will allow closer coordination of the school and college years.

**Legal Districts.** Elimination of a present loophole in the law allowing a few tax haven districts to continue to operate every other year will assist in the reduction of such tax haven districts by consolidation action.



*The State of Texas*  
*House of Representatives*  
*Austin, Texas*

DAN KUBIAK  
DISTRICT 36  
COUNTIES:

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**IX. THE NEED FOR A SPECIAL SESSION**

Members of the House Education Committee  
House of Representatives  
Austin, Texas

Dear Gentlemen:

The public school finance crisis continues to plague Texas education. Mounting inflation, coupled with additional federal and state requirements, continue to compound the problem. The longer the delay, the longer our children will be deprived of quality education. A special session must be called if school districts are to have the resources necessary without skyrocketing local taxes.

Numerous members of the Texas Legislature have asked the Governor to call a special session to deal with the problem. The Governor has maintained his position that the schools can wait until one more study is completed and that legislation will be presented to the Legislature in 1975.

The problems in passing a school finance plan during the next session of the Legislature will be very similar to those encountered in the 63rd Legislature. A great amount of time is needed for every legislator to consider, debate and vote upon this issue without the diverting influences and complicating factors of a regular session. Last session more than 1800 bills were considered by the Legislature, and time did not allow a thorough examination of every bill by every member.

As a result of the Governor's refusal to call a special session, local property taxes across the state are increasing by more than 10 percent. Next year they will rise even more.

This will compound the problems of the present system and poor districts will have to further cut programs and wealthy districts will have to further raise taxes.

The reason most often given by the Governor in refusing to call a special session is that funds are not presently available even if a solution can be found. The report of the House Education Committee demonstrates that a fair and equitable solution can be found.

According to the Comptroller of Texas, there is presently one hundred nine million dollars in unexpended funds in the state treasury. This is more than enough for first year phase-in operation costs.

Funds are available without a tax increase and a solution has been found. There is no need for any more excuses by the Governor. If the crisis facing the schools is to be solved, it must be solved in a special session and it must be solved soon!

Warmest personal regards.

Sincerely,

Dan Kubiak, Chairman  
House Education Committee

At a duly called meeting of the Committee on Education of the House of Representatives of the 63rd Legislature, the following resolution was moved for adoption by the Honorable Andrew Z. Baker, and upon vote was duly adopted by the said Committee:

## RESOLUTION

WHEREAS, There is a crisis in the financing of public education in that the present Minimum Foundation Plan in use in this State does not meet the needs of the State of Texas, and there is a broad public support for basic reform and modification of the system of funding of public education in this State; and

WHEREAS, One of the most important functions of the Government of the State of Texas is to provide quality meaningful education to the children of this State in such respect and to provide for the long term best interests of this State in having a literate, productive and enlightened Citizenry; and

WHEREAS, The Honorable Dolph Briscoe, the Governor of the State of Texas, The Honorable William P. Hobby, the Lt. Governor of the State of Texas, and House Speaker Price Daniel, Jr., have heretofore recognized such emergency and have expressed concern for and interest in basic reform in the area of public school financing; and

WHEREAS, Numerous local school districts in this State are facing a present and immediate financial disaster in the event that action is not taken to relieve and adjust the present financial burden placed upon such local bodies under the present system of public education financing now, therefore be it

RESOLVED, THAT THE COMMITTEE ON EDUCATION OF THE 63RD LEGISLATURE, BY THIS RESOLUTION, URGE AND BESEECH THE GOVERNOR OF THE STATE OF TEXAS TO CALL A SPECIAL LEGISLATIVE SESSION ON OR BEFORE THE 1ST DAY OF SEPTEMBER, 1974, FOR THE EXPRESS PURPOSE OF DEVISING A NEW METHOD FOR THE FINANCING OF PUBLIC EDUCATION IN THIS STATE CONSISTENT WITH THE NEEDS OF THE CHILDREN OF THIS STATE.

This Resolution was duly adopted by the Committee on Education of the House of Representatives of the 63rd Legislature at Galveston, Texas on the 8th day of September, 1973.



DAN KUBIAK, Chairman



R. B. MC ALISTER, Vice-Chairman

## **APPENDIX**



# **A TENTATIVE INQUIRY INTO VARIANCES IN THE COST OF PUBLIC SCHOOL EDUCATION**

When the cost of education among the various school districts of the state is examined, the causes for the variance in expenditure patterns are often lost in the shuffle. In order to determine in a preliminary fashion, some of the causes of variations in cost, six school districts were selected from districts ranging in ADA from 5,000 to 10,000 students. Two districts were selected from the low expenditure districts, two from the middle range of expenditure, and two from the high range of expenditure. The amounts of current expenditures per pupil in 1970-71 from state and local funds in those districts are shown below.

**TABLE I.** Selected Districts and Expenditures per Pupil from State and Local Funds, 1970-71.

<b>LOW EXPENDITURE</b>	<b>COST PER PUPIL</b>	<b>ADA</b>
South San Antonio (Bexar County)	\$ 483	8,577
Lufkin (Angelina County)	502	6,614
<b>MIDDLE EXPENDITURE</b>		
Denison (Grayson County)	\$ 640	5,919
Pampa (Grady County)	668	5,150
<b>HIGH EXPENDITURE</b>		
West Orange-Cove (Orange County)	\$ 873	6,625
Deer Park (Harris County)	1,030	6,054

The expenditure patterns of these districts were examined in two aspects. First, the level of the Foundation School Program and the general purposes and extent of enrichment funds were examined. Secondly, the overall expenditure pattern of each district was examined according to types of expenditure.

Four separate elements of expenditure were examined for each district - 1. the cost of the Foundation School Program, 2. expenditures for additional staff, 3. expenditures for salary enrichment, and 4. other enrichment costs, mostly those for maintenance and operation. The results of this examination are shown in Table II.

Only in South San Antonio does the cost of the Foundation School Program appear to be a significant factor in the determination of the variance of costs. In this case the failure of this district to employ all of the personnel to which the Foundation School Program entitles it accounts for a portion of the reduced cost. The remainder of the variance is accounted for by the use of personnel who have little experience or personnel who have advanced degrees.

In this area of staffing enrichment, districts of both the middle and high range make considerable expenditures ranging from \$40 per pupil in Denison to \$161 in Deer Park. On the other hand, the two low expenditure districts are able to make little impact in this area with less than \$10 per pupil in expenditures. In both Pampa and West Orange-Cove this type of expenditure accounts for over 30 percent of total enrichment expenditures.

Although expenditures for salary enrichment above the Foundation School Program levels of support vary widely among these districts, the middle and low expenditure districts show little variance. In four of the districts, representing all three ranges, this type of expenditure accounts for less than 20 percent of the total enrichment cost.

In the area of other enrichment expenses, including enrichment of both the maintenance and operation allocation and transportation allotment, the variance among the expenditure levels is again high ranging from \$79 in Lufkin to \$329 per pupil in Deer Park. However, the low expenditure districts spent proportionately more of available enrichment funds in this area than the other types of districts.

In summary, only in the lowest expenditure district of the six does the cost of the Foundation School Program contribute substantially to the variance in final costs. While staff enrichment is almost non-existent in the low expenditure districts, it is a substantial factor in both the high and medium expenditure districts. Salary enrichment occurs at all levels to a varying degree. All districts spend substantial amounts for other costs although the amount increases considerably as the overall level of expenditure increases. However, the low expenditure districts spend a higher percentage of available funds for these other costs.

Another way to examine the variance in the cost of education is to examine the purposes for which all funds were expended. Although federal funds are included, the expenditure patterns among these six districts appear to be meaningful in relation to the reasons behind the great variance in cost.

Table III compares amounts per student expended for a number of basic functions relating to the current operating cost of education. . (See Table III).

Among these six districts, administration costs, transportation costs, and other costs do not appear to have substantial impact on the variance among school districts. Only in the highest expenditure per pupil district is the amount of funds per pupil for administration out of line with the other districts. The same holds true for transportation costs. One of the high expenditure districts, West Orange-Cove, does spend a somewhat greater amount of "other costs" per student than the other five districts, mostly in the area of student body activities.

The areas of instruction costs, both in terms of salaries and other expenses, and the combined area of maintenance, operation, and fixed charges appear to provide most of the substantial variance among the low expenditure districts and the middle and high expenditure districts. Expenses for other instructional costs such as materials and supplies parallel the overall expenditure levels of the districts. In a similar fashion, the cost of maintenance and operation is also consistent with the overall expenditure pattern of the district. Of particular interest in this comparison is the relative share of the school

district budget given over to areas of instruction compared to operation and maintenance. In the low and middle expenditure districts over 80 percent of the cost of education is for direct instruction, while in West Orange-Cove the figure falls to 78 percent and in Deer Park to 70 percent.

Based on this limited inquiry, several conclusions may be drawn. School districts tend to place initial "enrichment" funds in the area of operating expenses which are not directly related to instructional personnel costs. This may well be explained by the relatively low level of the Foundation School Program support for these areas. Even in districts with moderate amounts of available funds, funds available for instructional personnel are divided between additional instructional personnel and higher salaries. Districts with high costs appear to provide substantial additional resources for a broad range of purposes.

The primary determinants of variances in expenditures seem to be concentrated in the areas of instruction and facility operation. In very high expenditure districts, substantial amounts of additional funds may be placed in noninstructional areas.

TABLE II. COMPONENTS OF PER PUPIL COSTS FOR SIX SELECTED DISTRICTS, 1970 - 1971

DISTRICT	COSTS PER PUPIL FOR				
	FOUNDATION PROGRAM	STAFF ENRICHMENT	SALARY ENRICHMENT	OTHER	TOTAL
<b>Low Expenditure</b>					
South San Antonio	\$366	\$ 8	\$ 30	\$ 79	\$ 483
Lufkin	428	2	10	62	502
<b>Middle Expenditure</b>					
Denison	\$441	\$ 40	\$ 37	\$122	\$ 640
Pampa	439	74	37	118	668
<b>High Expenditure</b>					
West Orange-Cove	\$436	\$149	\$ 83	\$205	\$ 873
Deer Park	430	161	110	329	1,030

**TABLE III.**  
**PURPOSES OF PER STUDENT EXPENDITURES IN SIX SELECTED SCHOOL DISTRICTS, 1970-71**

DISTRICT	ADMINISTRATION	INSTRUCTION		TRANSPORTATION	MAINTENANCE OPERATION AND FIXED CHARGES	OTHER COSTS*	TOTAL
		SALARIES	OTHER				
LOW EXPENDITURE							
South San Antonio	\$25	\$397	\$17	\$ 8	\$ 48	\$16	\$ 511
Lufkin	24	435	14	2	51	2	528
MIDDLE EXPENDITURE							
Denison	\$23	\$526	\$22	\$ 9	\$ 65	\$14	\$ 664
Pampa	22	532	29	13	72	16	684
HIGH EXPENDITURE							
West Orange-Cove	\$31	\$659	\$47	\$ 7	\$132	\$30	\$ 906
Deer Park	40	592	35	25	221	23	1,036

**WITNESSES APPEARING BEFORE THE HOUSE EDUCATION COMMITTEE  
REGARDING THE ISSUE OF PUBLIC SCHOOL FINANCE**

Representative Doyle Willis  
Representative Fred Head  
Representative Renal Rossen  
Representative Carl Parker  
Representative DeWitt Hale  
Mr. Ruben Lopez, Edgewood ISD  
Mr. Eli Douglas, Galveston ISD  
Mr. G. H. Kirby, Wichita Falls ISD  
Dr. Ivan Fitzwater, North East ISD  
R. S. Evins, Edinburg ISD  
Mr. Johnny Clark, Goose Creek ISD  
Mr. Farrell Ray, Jr., Board of Dallas ISD  
Mr. Nolan Estes, Dallas ISD  
Dr. Forrest Watson, Pasadena ISD  
Mr. Ellison, Killeen ISD  
Ms. Harriett Mauzy, Houston Teachers Association  
Mr. W. W. Malkey, Hillsboro ISD  
Mr. W. R. Baker, Knox City ISD  
Mr. Kenny, Kilgore ISD  
Mr. Coleman Bailey, Asherton ISD  
Dr. Garver, Houston ISD  
Dr. George Oser, School Trustee, president  
Linus Wright, Chief Financial Officer  
Mrs. A. T. Leveridge, Jr., Texas Congress of Parents-Teachers  
Dr. John Horn, Mesquite ISD  
Mr. William H. Tillman, Little Cypress-Mauriceville ISD  
Mr. William Groogan, Administrator Windham Schools, Huntsville  
Mr. Raymon Bynum, Richardson ISD  
Mr. William M. Johnson, Hayes ISD  
Mr. D. Jones, Property Tax Committee  
Mr. Rodney D. Cathey, McAllen ISD  
Mr. J. F. Townley, Irving ISD  
Mr. Kenneth C. Welsch, Columbia-Brazoria ISD  
Mr. M. B. Barrow, Columbia-Brazoria ISD  
Mr. Mike McManigal, Texas Farmers Union  
Mr. Archie Roberts, Texas State Teachers Association  
Mr. William James, Superintendent, Somerset ISD  
Dr. M. L. Brockette, Deputy Commissioner of Education, TEA

Mr. Jim Hoosier, Texas State Teachers Association  
Mr. Lynn Moak, Texas Education Agency  
Mr. James Bozman, member Intangible Property Tax  
Sub-Committee of Legislative Property Tax Committee  
Mr. Jay Sloan, Texas Bankers Association  
Mr. Charles Dahlstrom, Tax Assessor, Del Valle ISD  
Professor Dick Dubielzig, Lyndon B. Johnson School of Public  
Affairs  
Mr. James W. McGrew, Executive Director, Texas Research  
League  
Dr. L. P. Sturgeon, Texas State Teachers Association  
Ms. Camilla Bordie, Texas Legislative Council  
Mr. Leon Graham, Texas Education Agency  
Mr. Mark Yudof, U.T. Law Professor and plaintiff's attorney in  
the Rodriguez case.  
Mr. N. David Spurgin, Advisory Commission for  
Intergovernmental Relations  
Ms. Patsy Duncan, President TSTA  
Mr. Ace Alsup, State Legislative Chairman of TSTA  
Mrs. Vivian Bowser, President, Texas Classroom Teachers  
Association  
Mr. Carl Bailey, President, Texas Association of Secondary School  
Principals  
Mrs. Vi Sullivan, President, Vocational Homemaking Teachers  
Association of Texas  
Mr. Frank Millican, Legislative Chairman of Texas Elementary  
Principals and Supervisors Association  
Mr. Will Davis, Texas Association of School Boards  
Mr. Ed West, President, School Business Affiliates  
Mr. Nolan Estes, Superintendent, Dallas ISD  
Mr. Dana Williams, Superintendent, Corpus Christi ISD  
Mr. Bob Ashworth, Legislative Chairman, Texas Association of  
School Administrators  
Mr. Forrest Watson, Superintendent, Pasadena ISD  
Ms. Janette Ryan, Texas Education Secretaries Association  
Mr. Ray Holbrook, County Judge, Galveston  
Ms. Eugene Fritz, League of Women Voters of Texas  
Mr. Paul Eavls, P.S.J.A. Classroom Teachers Association

RECOMMENDATIONS FOR TEXAS PUBLIC SCHOOL FINANCE  
APPROVED BY THE HOUSE EDUCATION COMMITTEE  
ON SATURDAY, SEPTEMBER 8, 1973

1. The teacher-pupil ratio be allocated as follows and that any switch-over or overlap between groups be prohibited and that teachers be limited to full-time teaching teachers only:

Kindergarten -- 15/1

First, Second, Third Grades -- 20/1

Fourth, Fifth, Sixth Grades -- 23/1

Seventh through Twelfth Grades -- 24/1

2. Utilization of ADM be on total number of classroom days the student is in membership.
3. Increase transportation allocation by 50%.
4. Operation and maintenance costs be increased to \$85 per ADM.
5. TEA be provided with all necessary funds per student per year for assessment, accreditation, and follow-up and the method of measurement must be adjusted to the cultural needs of each region of the State.
6. Local leeway be provided in two-step form, \$100 per child and \$200 per child.
7. The total revenue derived from the ad valorem tax for purposes other than acquisition of capitol facilities and equipment or payment of debt service shall be limited to the revenue produced by application of a 75 cent per \$100 tax rate to the market value of taxable property as defined.
8. Provide compensatory education of \$75 per child as defined in H.B. 946, provided no funds are available from other State sources.
9. School year be reduced to 171 classroom days and six days of inservice training and guaranteeing that such a change will not affect the present salary level for teachers.
10. Place the teacher salary base under the foundation program and increase the basic salary level for teachers.
11. Special Service Personnel consisting of nurses, physicians, visiting teachers, itinerant teachers, librarians, supervisors and counselors shall be provided at a ratio of 1 for every 14 CTU's. This shall not restrict the local district from employing additional special service personnel from local funds.
12. Assistant principals shall be provided at a ratio of 1 for every 45 CTU's with no consideration for fractions. This shall not restrict the local district from employing additional assistant principals from local funds.
13. Principals shall be provided at a ratio of 1 for the first 14 CTU's; thereafter 1 for every additional 24 CTU's provided that not more than 1 principal is provided for each campus. This shall not restrict the local district from employing additional principals from local funds.

14. Educational secretaries shall be provided at a ratio of 1 educational secretary for the first 10 CTU's with 1 educational secretary for each 30 additional CTU's with fractions not considered. This shall not restrict the local district from employing additional educational secretaries from local funds.
15. Teachers aides shall be included at a ratio of 1 aide per 18 CTU's, no fractions. This shall not restrict the local district from employing additional teacher aides from local funds.
16. Instructional administrative officers shall be provided by the following formula:

750-1249 ADM .....	One Unit
1250-1749 ADM .....	Two Units
1750-2499 ADM .....	Three Units
2500-50,000 ADM .....	Four Units, plus one additional unit for each 3000 ADM above 2500, with no credit for fractions.
Over 50,000 ADM .....	Twenty Units, plus one additional unit for each 6000 ADM above 50,000 with no credit for fractions.

This shall not restrict the local district from employing additional instructional administrative officers from local funds. TEA is required to develop certification standards for each position.

17. Instructors for exceptional children shall be provided at the present levels as in H.B. 946.
18. It shall be mandatory for school districts to hold classes every year.
19. The definition of "taxable property" for the purpose of measuring local ability should be "all property subject to local ad valorem taxation under the Constitution and statutes of the State of Texas."
20. For the 1973-74 school year, the best data currently available on market values should be used for measuring district wealth.
21. For the 1974-75 school year and all subsequent years, figures obtained by the Comptroller through annual assessment-ratio studies should be used.
22. In determining the market value of agricultural lands, the current productive capability of the land shall be the primary consideration, rather than any future non-agricultural uses. The determination shall be in accordance with standard appraisal practices.
23. The Legislative Property Tax Committee should be directed to prepare an appraisal manual and comprehensive recommendations on the reform of the property tax law and administrative system to be presented to the Legislature in 1975. The purpose of such recommendations shall be to achieve uniformity of assessment procedures and taxpayer equity and shall be in accordance with appropriate constitutional provisions as adopted by the Constitutional Convention of 1974.
24. The adoption of a documentary stamp to verify real estate transactions for use in assessment-ratio studies is recommended to the appropriate legislative committee.

## THE FINANCING OF THE FOUNDATION SCHOOL PROGRAM IN TEXAS

The principles in use today for financing the Foundation School Program were first annunciated by the Report of the Gilmer-Aiken Committee in 1948. In its landmark report "To Have What We Must", the Committee formulated six basic principles for the financing of the Foundation School Program in Texas.

1. Local taxation should support 20-25 per cent of the total cost of the foundation program, but the amount raised by each locality should accord with its taxpaying ability. Every local system in Texas should be required to raise some local funds for education; all property should be subject to local taxation for education.
2. The uniform local effort required should not exhaust the local taxing power for education. Each locality should have leeway to raise funds over and beyond the minimum program.
3. The state should provide the remaining cost of the minimum foundation program in each local unit.
4. State funds should be so distributed that opportunity for having a minimum foundation program will be equal in each system and between the races.
5. The formula for distributing state funds should be so written that personal judgment in allocating funds is reduced to a minimum.
6. All school funds should be handled to assure their safekeeping, and subjected to careful state auditing.

The Committee called for state guaranteed financing of the Foundation School Program by requiring an equalized local effort towards the support of the program with the remainder of support from state sources. To determine the amount of local funds to be raised by each district, the Committee recommended the use of an economic index composed of a variety of income measures and assessed property values to determine the relative ability of each county. The ability of each school district was to be determined by the relative share of the district of county assessed property values. The recommendations contained to "To Have What We Must" form the basis of the present system of financing of the Foundation School Program.

Under the law, the State Board of Education is charged with the responsibility of the development of the total statewide local fund assignment as well as the procedures to be used by the Texas Education Agency in the determination of the local fund assignment of each school district. In order to bring meaning to the data to be presented, the current 1972-73 school year will be used as a basis for illustration.

The revenue necessary for the Foundation School Program is derived from three sources. After the local share is determined, the state first uses the constitutionally mandated Available School Fund to determine the basis of support. In those districts where these two sources of funding are insufficient, the state supplies additional funds through the Foundation School Program Fund which in turn is derived from the Omnibus Tax Clearance Fund and the General Revenue Fund.

In 1972-73, the total cost of the Foundation School Program is \$1,209 million. Of this amount a net total of \$226 million was financed by local funds. The State share totaled \$983 million of which \$333 million was from the Available School Fund and \$650 million was from the Foundation School Program Fund.

The process for the determination of the local fund assignment is admittedly highly complicated and is essentially made up of four stages. First, the State Board of Education determines the statewide UNADJUSTED LOCAL FUND ASSIGNMENT for a given year. Second, the ECONOMIC INDEX, expressed in percentage terms, is then applied to the state total unadjusted local fund assignment to determine the unadjusted local fund assignment to be charged to the school districts in each county. Third, the COUNTY TAX ROLL is then used to determine the unadjusted local fund assignment for each district within the county. Finally, certain CREDITS, or reductions in the local fund assignment are allowed to specific districts by application of the law.



**DETERMINATION OF THE UNADJUSTED LOCAL FUND ASSIGNMENT.** To determine the state total cost of the Foundation School Program, the State Board of Education is directed by law to estimate 20 percent of the prior year cost of the Foundation School Program and add to this amount the amount of special credits granted for the prior year. This amount becomes the UNADJUSTED LOCAL FUND ASSIGNMENT. For the school year 1972-73, the State Board of Education determined that 20 percent of the cost of the 1971-72 Foundation School Program was \$229.3 million. To this it added the total cost of credits for 1971-72 for \$36.4 million to determine the total local fund assignment of \$265.7 million for 1972-73.

**DEVELOPMENT OF THE ECONOMIC INDEX.** The Economic Index, use to estimate the percentage of taxpaying ability of each county in the state is based on a statutory formula involving county assessed property values, the number of scholastics, and four specific measures of income for each county. In calculating the Index, a series of weights are used to determine the relative influence of each factor. County assessed values are weighted by a factor of 20. The number of scholastics is weighted by a factor of 8. The four income factors, value added by manufacturing, value of agricultural products, value of mineral production, and payrolls from wholesale, retail and service established are collectively weighted by 72. Since these weights are numerical rather than percentage based, the Index for a given county is influenced primarily by the assessed value and income factors with the number of scholastics having only minimal impact. After the weights are applied, the raw data for each county is summed and divided by the state total of the weighted data to determine the relative percentage of the taxpaying ability of each county. This figure is known as the Economic Index.

For instance, Tarrant County has an economic index for 1972-73 of 6.153 percent. This figure was determined as follows. First, the assessed value of Tarrant County was \$946,011,000 which weighted, or multiplied, by 20 was \$18,920,220,000. The number of scholastics was 159,000 which weighted by 8 was 1,272,000. The total income figure of \$1,957,855,000, composed of \$1,281,713,000 from manufacturing, \$9,053,000 from minerals, \$16,161,000 from agriculture and \$650,928,000 from payrolls, was multiplied by 72 for a weighted total of \$140,965,560,000. These three figures were then totaled for a weighted composite total of \$159,887,052,000. This figure was then divided by the weighted composite for the state of \$2,598,619,848,000 to determine the Economic Index of 6.153 percent for Tarrant County.

**DETERMINATION OF THE COUNTY UNADJUSTED LOCAL FUND ASSIGNMENT.** Once this percentage is calculated, is applied to the state total unadjusted local fund assignment to determine the actual unadjusted local fund assignment for the county. In the case of Tarrant County, multiplication of the Economic Index of 6.153 percent by the state total local fund assignment of \$265,700,000 produced a county local fund assignment of \$16,348,521.

**CALCULATION OF THE DISTRICT UNADJUSTED LOCAL FUND ASSIGNMENT.** The next step in the calculation of the local fund assignment for a district is the use of the county tax roll to determine the district's share of the county assessed values. Each county tax collector-assessor submits to the Texas Education Agency the amount of county assessed value in each school district. The Agency then determines the relative percentage of each districts share of the county tax roll. This percentage is then applied to the county unadjusted local fund assignment to determine the unadjusted local fund assignment for the district.

For Tarrant County, the county tax assessor submitted a report showing the total county assessed value to be \$1,102,067,947. Of this amount, he reported that Fort Worth had \$609,872,473 million which the Agency calculated to be 55.339 percent of the total county assessed value. This percentage was then applied to the county local fund assignment of \$16,348,521 to produce an unadjusted local fund assignment for Fort Worth of \$9,047,108.

**SPECIAL CREDITS.** Once the unadjusted local fund assignment has been determined, the law permits a series of special credits or adjustments in the local fund assignment. These reductions essentially fall into four types -- the tax exempt land credit, the maximum tax rate credit, the orphans home credit and the budget balance credit. These credits represent reductions of the unadjusted local fund assignment. The local fund assignment which remains after the deduction of credits is known as the net local fund assignment.

According to the Texas Education Code, the presence in the districts of certain types of exempt land permit the district to receive a credit. These types of land are state owned university and prison lands, federally owned forestry, military and recreation lands, and certain municipal cooling lakes.

To determine the amount of the credit for such lands, the percentage of the district's total land area occupied by the special lands is determined and applied to the unadjusted local fund assignment for the district. In the case of Fort Worth, for example, a federal military reservation and a federal recreation area occupy 15.251 square miles of the Fort Worth Independent School District. This figure represents 8.269 percent of the total area of the Fort Worth district. The unadjusted local fund assignment of \$9,047,108 was reduced by the percentage which represented a credit of \$748,105. As a result of the application of this credit the local fund assignment of Fort Worth was reduced to \$8,299,003.

A second type of credit is known as the maximum tax rate credit. This credit, probably originally established to assist poor school districts forced to use the county tax roll has in recent years become the largest of the credits in terms of the total cost. The credit is calculated by the application of a specific tax rate to the county assessed property value located within the district. If the result of this calculation is less than the district's unadjusted local fund assignment, then the district is due a credit of the difference. The specific tax rate is calculated by the deduction from a \$1.50 tax rate, the tax rate (not to exceed \$.50) required to service the outstanding bonded indebtedness of the district. In the case of the Fort Worth district, for example, the tax rate required, on the Fort Worth School district tax roll, to service the outstanding school bonds is \$.31 per \$100 of assessed value. Deducting this amount from a tax rate of \$1.50, leaves a calculated tax rate for maintenance and operation of \$1.19 per \$100. Application of this tax rate to the county assessed value of the Fort Worth district of \$609,872,473 produces a calculated amount of \$7,257,482. Since this amount is less than the local fund assignment of this district (after adjustment for the land credits) of \$8,299,003, a credit of \$1,041,521 is allotted to the district. As a result, the final net local fund assignment of the Fort Worth district in 1972-73 is \$7,257,482.

A third type of credit against the local fund assignment is known as the orphans home credit. To qualify for this credit, the district must have three percent or more of its students from tax exempt institutions for orphan, dependent, and/or neglected children. For districts which qualify, a credit of \$151.50 per such student is allowed. In the Pettus Independent School District, for example, 108 of the total students were from these types of institutions. Multiplying this number by \$151.50 produced a credit for the district of \$16,372, reducing the local fund assignment from \$128,014 to \$111,642.

The final type of credit is known as the "budget balance" credit. This credit represents the excess of funds available in the school district over the cost of the Foundation School Program. If the local fund assignment plus the per capita apportionment from the Available School Fund is greater than the cost of the Foundation School Program, the district may reduce its local fund assignment and still fund the full cost of the Foundation School Program. In the case of the Andrews Independent School District, for instance, the cost of the Foundation School Program in 1972-73 is \$1,045,751. However, the local fund assignment for the district is \$1,515,488 and the Available School Fund apportionment to the district was \$340,622. Thus, the revenues available to the district exceeded the cost of the Foundation School Program by \$712,327 which represents a credit to the local district, since the district only needed \$705,129 in local funds to fund the Foundation School Program.

When the State Board of Education set the total local fund assignment for the 1972-73 school year, it determined an amount of \$265,700,000. After all credits were taken into account the net local fund assignment for the state as a whole was \$226,800,000. Reviewing the reasons for this decrease, all of which was the result of credits to the local fund assignment, land credits were provided 59 242 districts at a total cost of \$7,490,304. Maximum tax rate credits were given to 185 districts at a total cost of \$21,373,310. Fourteen (14) districts qualified for the orphans home credit at a total cost of \$147,973. Finally, 82 districts were classified as budget balance and thus were able to reduce their local assignments by \$9,875,816. As a result of eligibility of certain districts for more than one credit, a total of 472 districts accounted for the total amount of credits for 1972-73.

**THE PROBLEMS OF THE SYSTEM.** Most of the present system for the determination of the local fund assignment was adopted in 1949. The only major elements which have been revised over the past twenty years include the use of 20 percent of the Program cost in place of a flat local fund assignment set in law (1954), and adoption of the charge back system where the amount of the credits is added to the succeeding year's local fund assignment to maintain a close to 20 percent local share of the Foundation School Program (1965).

When the Gilmer-Aiken Committee recommended the use of the Economic Index-County Tax roll system in 1949, the Committee stated:

One way to solve the problem would be to require statewide equalization of assessment ratios but this does not seem feasible at the present.

Another (way) was, and one which is in satisfactory use in at least ten states, is to use a composite index....

No claim is made that an economic index is perfect, but its superiority to the only other measure of local ability we have - the reported assessed valuations of property - has been clearly proved.

Although ten states used the economic index approach to equalization in 1949, only two states continue to use an approach similar to the Texas index today - Tennessee and Mississippi. At least forty other states currently use some form of market value data in the calculation of the ability of local districts to support education.

The problems of determining the local ability to raise funds under the present system has been well documented over the past few years with the completions of studies by the Governor's Committee on Public School Education (1968), the Committee of 18 (1971), the State Board of Education (1973), and the Joint Senate Interim Committee on School Finance (1973). All of these studies have examined the present method of financing and found serious problems with the present approach. However, there is still considerable debate over the solution to these problems. Among the problems which have been identified are:

1. **Maximum Tax Rate Credit.** Nine years ago this credit involved only 28 districts and a total cost of \$410,174 compared to 185 districts and \$21,373,310 in 1972-73. As this credit makes the local fund assignment almost solely dependent on the level of county assessed values which the Gilmer-Aiken Committee rejected as a basis for the sole determination of local ability over twenty years ago, the continued use of the credit appears to create further inequity.
2. **The Charge Back System.** As a result of the chargeback system where the local fund assignment credits for one year are added to the local fund assignment for the next year, many districts, especially poor ones, are penalized. For instance, the local fund assignment for San Antonio is increased by \$505,000 because of credits in other districts.
3. **The Time Lag Problem.** The data used in the Economic Index includes data as old as six years prior to the year in which the Economic Index is to be used. Continued use of this type of data appears to create substantial problems.
4. **The County Tax Roll Problem.** The importance of the county tax roll in the Economic Index as well as the use of these rolls for the determination of the district share and in the calculation of the maximum tax rate credit has created a serious problem for county and school governments. Improvement in assessment procedures of increases in assessment level badly needed at the county level are often delayed because of potential losses in state aid to school districts which would result if these improvements or increases took place.
5. **The Quality of the Data.** As a result of the lack of trained county tax assessors and appraisers, the information submitted by the county tax assessor is often highly suspect. In addition, the data used for the calculation of income factors in the Economic Index is, in a number of cases, the result of partial estimation procedures rather than precise information.
6. **Land Credit Problems.** Only a portion of the governmentally owned land is provided credits. For example, only those university lands owned by the University of Texas, the Main campus of Texas A & M, Pan American, and East Texas State are eligible for a credit. The lands held by the other institutions of higher education are not exempt. On the other hand, the values of such land are not included in the county assessment roles for any institution.

**THE SOLUTIONS.** Proposals introduced for legislative consideration have ranged from eliminating the local fund assignment (and with it the historic equalization function of the Foundation School Program) to increasing the local share of the program to 40 percent of the Program cost. All of the major proposals which retained the concept of the local fund assignment have recommended the use of information on the market value of taxable property to replace either in part or in full some of the factors in the current system. All have recommended substantial changes in the system for the determination of credits to the local fund assignment and all have recommended that the state absorb the cost of such credits as might remain.